

Challenge

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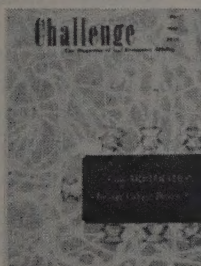
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CHALLENGE NOTES

Memories and realities; stocks and the economy; the market for housing

WHENEVER the words "dangerous overexpansion" or "inflationary boom" crop up in economic discussions, most of the experts (and nonexperts) will immediately point to housing and the stock market as two examples of what they have in mind.

This is not surprising. Memories of the Florida real estate bubble and the stock market crash of the twenties cannot be easily erased. Indeed, they should not be. The danger, it seems to us, is that we draw the wrong lessons from these unhappy experiences.

The Florida land bubble, for example, did not collapse because we "overdeveloped" Florida, but because a lot of people bid up nonexistent values which they had no intention of improving—and every intention of selling as soon as possible at a higher price. This was fine until it dawned on people that the pieces of paper in their possession were monstrously overvalued, and they began to sell in a panic.

Similarly, the stock market of '29 did not collapse because our industry expanded too rapidly, but because a lot of people with the get-rich-quick fever bid up the prices of stocks to a point far above the values they represented. And here, too, a day of reckoning came. Then, after the crash, people became *too* wary. All through the thirties most stocks remained grossly underpriced in terms of the real economic values they represented. How many of us have wished that we had had the foresight to buy General Motors or U.S. Steel stocks when these were going at bargain-basement prices?

Boom or Bubble?

WELL, the stock market has been booming again, and this has caused concern among some economists, Senators and Government officials. Not so the stock-buying public. Standard & Poor's Combined Index of Stock

Market Prices, which includes 480 industrial, utility and railroad stocks, jumped from 195.4 in January '54 (it was 100 in 1935-38) to 278.1 in February '55.

Is this too high? We don't know, and apparently neither does anyone else. On the other hand, we certainly don't agree with those who maintain that just because stocks have been rising at a rather dizzy pace in the last eighteen months, they *must* decline. There is no economic "law of gravity" which says that what goes up must come down.

The question to ask ourselves is: How does the current level of stock-market prices compare to rises in other economic indicators, such as production, income, dividend yields, corporate profits, etc.? So judged, stocks do not seem too high. The only danger is that they *may* get too high.

In other words, will an investor's boom turn into a speculative bubble? The hairline separating the investor from the speculator is a very thin one, as Wilfred Weiss (*see page 13*) points out. One function of "friendly studies" conducted by Senators might be to reassure us that investors still predominate.

Mortgage Credit Up

Now, to the housing boom. Concern has been expressed in

some quarters that the current record rate of construction is based on a rather shaky foundation of "overextended" mortgage credit. Outstanding mortgage debt, according to Federal Reserve Board statistics, rose from \$41,800,000,000 in 1946 to \$113,600,000,000 in 1954. But, as John Dickerman points out (*see page 24*), it is the ability of people to make good on their mortgage payments that is the key to the situation here. If the rest of the economy is maintained at a high level, there is little to fear from the current rate of housing credit.

Who Buys Houses?

THERE is another fear commonly expressed by people who are anxious about the housing boom, and that is that demand cannot possibly keep up with the record rate of home construction. Concern has been expressed over the fact that housing starts are running ahead of family formations. But, is this really significant? New families, as Dickerman tells us, are not the only ones who buy homes. In fact, they are the ones who often cannot afford a home. Here again it is the economic health of *all* Americans that is the key. As long as we maintain a high level of production and employment, we need not fear a high rate of construction. ■

Full **E**mployment—But

by Paul Einzig

If full employment "under all circumstances" is what we want, we must be prepared to suffer the consequences of overfull employment

THE LESSON taught by the painful experiences of the 1930s—that large-scale unemployment is one of the worst evils to which mankind can be exposed—is deeply engrained in the minds of our generation. This is understandable. In the United States and in Britain, as in many other countries, large-scale and prolonged unemployment caused immense misery. No wonder that public opinion in both countries tends to take the line that there never can be enough employment, let alone too much.

The prevailing popular sentiment is that if only full employment can be attained and maintained, everybody will live happily ever after. The possible consequences of artificial "overfull employment"—a state of affairs in which the number of vacancies greatly exceeds the number of people seeking work—are practically never considered. Yet, our emphasis on securing 100 percent

full employment, no matter what the cost may be, has created many serious problems already; and it encourages attitudes which portend danger for the future.

In the United States, where even in the best of circumstances some unemployment has persisted, labor shortages have, for the most part, been confined to particular localities or occupations; there has been no firsthand experience with the phenomenon of "overfull employment." It is, therefore, easy for the general public to dismiss the possibility that there can ever be "too many jobs."

That is why the unfavorable facts of the British postwar experience are worthy of notice. In the United Kingdom, unemployment figures have disappeared from the statistics of the government. Official figures show that in 1954 there were some 100,000 more job vacancies than men and women seeking employment. And these figures do not tell the whole

story; they only indicate registered vacancies. A large number of British employers have long ago given up attempts to secure necessary help through registering their needs with the Labor Exchanges. Such registrations do not help one bit.

ALTHOUGH no British politician who wants to remain in office will admit it, there is a price tag attached to this overfull employment. Anyone who draws attention to the fact that all is not ideal in the existing state of affairs exposes himself to a barrage of criticism. The very use of the term "overfull employment" is denounced by socialists as suggesting a desire to return to the bad old days of unemployment. Yet, without for one moment contesting the unquestionable advantages that have resulted from the elimination of large-scale unemployment, the British public's insistence on "full employment" by practically any means has seriously retarded economic progress.

For one thing, the degree and kind of full employment that has prevailed in Britain since the end of the war has been distinctly inflationary. It has enabled workers

and their unions to enforce their wage demands owing to the scarcity of labor. Each successful claim has tended to raise the cost of living and to justify as well as encourage similar claims by other groups—one following the other in never-ending succession. The inflationary atmosphere thus created by overfull employment has persuaded employers to take the line of least resistance. It is, after all, easier to grant wage demands and pass them on to the consumer in the form of higher prices than to risk strikes by resisting. Newly established or expanding firms, moreover, cannot recruit the labor they need because the labor market is so inordinately tight. Such firms must outbid each other in order to secure their staffs. All this means, of course, ever-increasing wages—and ever-increasing prices.

In addition to its inflationary effect, overfull employment (or widespread labor shortages) breeds attitudes conducive to inefficiency. In Britain, it has gone a long way toward undermining the kind of industrial discipline which is essential for efficient production. Management and its representatives are often unable to enforce the necessary degree of discipline without running the risk of retaliation in the form of strikes. Since the war, the labor turnover in most industries has become

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very high—too high, in fact, according to many economists. All this makes for loss of efficiency.

THE frequency of unnecessary wildcat strikes is another characteristic of overfull employment in Britain. Every now and again strikes flare up because managements refuse to comply with demands that have nothing to do with wages or working conditions, but aim at dictating managerial decisions. So far, British firms have refused to be intimidated. But if the current labor shortage gets any worse, they might feel obliged to give way in this sphere, as well.

Even more serious, the number of highly paid jobs available to untrained workers discourages young people from acquiring specialized skills requiring prolonged preliminary training. As a result, the number of apprentices in British industry has declined to an alarming degree. Worst of all, with more than enough jobs to go around, workers tend to be careless about the quality of their product.

Beyond doubt, the existence of millions of idle hands before the war entailed tremendous waste of unused productive capacity. In addition, there were many instances of systematic "go slow" tactics practiced by workers who

were afraid of working themselves out of a job. There is no such danger now. In most British industries there is ample work for everybody for some time ahead. But with this type of assured security, there is evidence that workers now put less effort into their tasks than before the war.

While it is true that Britain's industrial output is higher than it was fifteen years ago, this can be attributed partly to the employment of more labor and partly to mechanization. There has, also, been an increase in the total output per man-hour. But in those industries which provide only limited scope for mechanization (for example, the building industry), productivity has generally remained below prewar levels. Where it has occurred, increased productivity has been almost entirely the result of mechanization. The importance of maintaining a high rate of productivity remains an impersonal matter for the workingman. It is not understood, and not appreciated.

ACTUALLY, the fetish of "full" employment has greatly impeded the job of mechanization in Britain. Owing to their powerful bargaining position, labor unions can force British firms to continue to employ workers who have become superfluous as a result of

the introduction of labor-saving machinery. Some employees, of course, will retire when they reach pensionable age. Still, most firms cannot rely on this taking place at a time and in a way convenient to them—or convenient to the truly “expandable” sectors of the economy which need more workers. There is a lack of flexibility.

THESE arguments should not be interpreted as an attempt to make out a case for a return to large-scale unemployment. My object in emphasizing the disadvantages of overfull employment is twofold. First, I think it necessary to sound a warning against the new orthodoxy which insists on maintaining 100 percent employment under all circumstances, *regardless of cost*. Everybody today must recognize the advantages of maintaining a high degree of employment in the interests of employees and employers alike. But let us not be dogmatic about it. Situations *can* and *do* arise in which the evils of a moderate degree of temporary unemployment are smaller than those of overfull

employment. Indeed, moderate and temporary unemployment (in a society which still remains free from enforced labor) is often the price we must pay if we wish to avoid large-scale and prolonged unemployment a little later.

But an understanding of the disadvantages of overfull employment can teach us an even more important lesson. Employment is something that must be deserved. An important reason for Britain's postwar troubles has been the assumption of the average Britisher that it is his birthright to be fully employed *under all circumstances*.

Overfull employment has eliminated the fear of losing one's job—which is a happy psychological state if other healthy developments in the economy accompany it. But it has not led to the development of a public-spirited attitude which tries to do its best even in the absence of an unemployment threat. It is in order to create such a spirit that a general appreciation of the cost of overfull employment is so all important. ■



Man, Woman—and the Ulcer

THE ONCE COMFORTABLE ADAGE, “Behind every man there is a woman,” has been reworded by a Harvard University anthropologist (male). The new version reads, “Behind every man's ulcer is a woman's social climbing.” Dr. Benjamin D. Paul, Assistant Professor of Social Anthropology, maintains that the growing importance of women—plus their desire for social climbing—generates ulcer-causing anxiety in men.

ARBITRATION—

Can It Bring Labor Peace?

by Jules J. Justin

Yes, says an experienced arbitrator, provided it supplements, not supplants, collective bargaining

IN THE FIELD of labor relations—as in the field of international politics—the right to a position is no greater than the power to hold it. Yet, the ability of either management or organized labor to maintain a position does not prove that that position is right. Each side constantly realizes that to protect its own self-interest, there is a point beyond which neither party can push the other; each must be prepared to pay a price for the maintenance of production and job security. The same self-interest that motivates both management and unions often constrains each to find a solution—a compromise—that satisfies for the time being the ultimate position that each seeks to secure.

Arbitration, when used properly, helps management and organized labor from going beyond



the point of no return. Arbitration offers a method to resolve their differences, for the ultimate good of each, as well as for the common welfare of the community in which they operate.

But experience has taught that arbitration also has its limits in helping each party satisfy its essential needs. To understand the "limits of acceptability" of arbitration, let us first see what those essential needs are.

To begin with, management wants to secure its investment, to make a profit, and to stay in business against competition. The union, on the other hand, wants to protect its entity as a going business and, as the employee's agent, to help him get a "fair"

wage and protection against arbitrary action.

These we call the *legitimate needs* of the parties—legitimate, because essentially neither party quarrels with the other over them. But they do quarrel over how much each can get satisfied at a particular time, and the method each uses to satisfy its wants.

As for the *method* each may pursue, there are basically two available: collective bargaining in good faith as a means of compromising the legitimate needs of each, with the implied threat of economic force—strike or lock-out—to enforce their respective positions; or arbitration.

When labor and management agree to use the second method, they voluntarily *substitute* arbitration for collective bargaining. It is precisely this fact—that under arbitration, collective bargaining ceases—that limits the acceptability of arbitration. Here again, to understand the limits of acceptability of arbitration as a method for the peaceful settlement of industrial disputes, we must go to first principles.

MANAGEMENT-UNION relations fall into two distinct areas: *negotiating* the collective bargaining con-

tract—that is, solving the big problems over wages, hours and other working conditions that will govern employer-employee relations; and *administering* the agreed-upon contract—adjusting employee grievances and resolving the small problems that inevitably arise over the correct way to interpret or apply the contract terms and clauses which the parties originally agreed upon.

In both areas the parties try to solve their problems by collective bargaining and grievance-handling machinery. Nothing stops them from *substituting* arbitration in either area. Yet, the overwhelming majority of American managements and unions refuse to substitute arbitration for collective bargaining when it comes to settling their big problems. Experience has taught them that arbitrating contract demands often satisfies neither one; and sometimes satisfies one party to the extreme detriment of the other. The uncertainty of the area of probable expectancy within which the arbitrator's award will fall, and the serious consequences for the "loser," holds back both from chancing the results to arbitration. Experience has taught both management and labor that fundamentally there is no substitute for free collective bargaining in solving their big contract problems—as

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it has taught the American people that there is no substitute for free elections and free speech in maintaining their democracy.

On the other hand, the recent figures of the United States Bureau of Labor Statistics show that in more than 90 percent of the approximately 100,000 collective bargaining contracts, covering about 16,000,000 organized workers, management and unions have voluntarily agreed to use arbitration in *administering* their contract, once it has been signed. We call this *grievance arbitration*.

HERE the arbitrator is called upon by the parties to resolve employee grievances or differences over the correct way to interpret or apply the contract clauses which the parties initially agreed upon. In this area, experience has taught both management and unions that if collective bargaining under their grievance machinery fails to resolve their differences, arbitration is an acceptable method of finally settling the dispute—rather than the use of strike or lockout.

Except in a few states where the law compels parties to use arbitration in disputes involving public utilities, management and unions retain the right to use or refrain from using arbitration. Because arbitration is a private system under each contract, the

parties, like sovereign entities, have the *power* to agree upon what they will use arbitration for.

How arbitration shall function, who shall serve as their arbitrator, and what his authority and jurisdiction shall be, are matters which the parties themselves set. In these areas, management and labor are their own lawmakers.

In grievance arbitration, the contract clauses set up the ground rules or standards which the arbitrator follows as guideposts in deciding the case before him.

In one case that came before the writer, the company discharged a shop steward for "excessive spoilage" and for "continual violation of an established plant rule" against leaving his bench without his supervisor's permission. The union appealed to arbitration, claiming that antagonism toward the employee, because he was a union steward, motivated the company's action.

The arbitrator found that the employee had committed the offenses charged against him; that he had been warned repeatedly about his improper conduct; and that his supervisor had afforded him sufficient opportunity to *correct* himself, without avail. These findings ruled out any semblance of discrimination, as claimed by the union. Accordingly, the arbitrator found "just cause" for

the employee's discharge and sustained management's action.

IN another case, the company laid off an employee, while retaining on the job an employee with shorter length of service in the department. The seniority clause, which the parties had agreed to, set up the standards of (1) "ability to do the available work"; and (2) "length of service" in the department.

The union claimed that the company had violated that clause. The company claimed that the junior employee in length-of-service was more qualified for the job.

Here the arbitrator found that the *standards* that the parties had agreed to under their contract did not warrant the company judging these two employees "competitively" for the job. The arbitrator found that the senior employee, who had been laid off, was qualified for the work. He had been doing that work for two years longer, without complaint from his supervisors; and he had been meeting the requirements of the job. The standards set up under the seniority clause permitted the company to judge an employee's ability with respect to the requirements of the job only. It did not permit the company to judge the relative ability of one employee against that of

another, when both were qualified for the job. Accordingly, the arbitrator sustained the union's appeal and reinstated the laid-off employee with pay for the time he had been out.

The standards that parties agree to follow in administering their contract during its term bind the arbitrator, as they do the parties involved. Generally, the contract provides that the arbitrator has no authority "to modify, add to, change or alter" any of the agreed-upon clauses of the contract.

HOW DO the parties choose their arbitrator? Does one arbitrator serve alone, or does he serve on a tribunal of three or five arbitrators to hear the case? Is an arbitrator's award final and binding upon both parties? These are some of the many questions that arise in connection with grievance arbitration.

Management and the union can agree, before a dispute arises, who shall serve as the arbitrator. Sometimes the contract names an individual as a "permanent" arbitrator for the term of the contract. He may sit alone or he may be chosen to act as the impartial chairman of a tribunal composed of an even number of other members appointed equally by the parties.

When management and the

union cannot agree upon an arbitrator, they may call upon existing public agencies to help them select one. Thus, the Federal Mediation and Conciliation Service, a Government agency; the American Arbitration Association, a nonprofit organization; or state boards maintain lists of names of persons from which the parties may select an arbitrator. These lists contain names of arbitrators experienced in labor-management relations. An arbitrator may be a university professor, an engineer, a lawyer or a minister, who has been found acceptable to both management and union.

The arbitrator's award is final and binding upon both parties—because the parties agree beforehand that it shall be so. His decision ends the dispute. If one or the other party does not like the award, there cannot be a further appeal. The only recourse for the dissatisfied party is to seek a change in the contract under which the arbitrator decided the

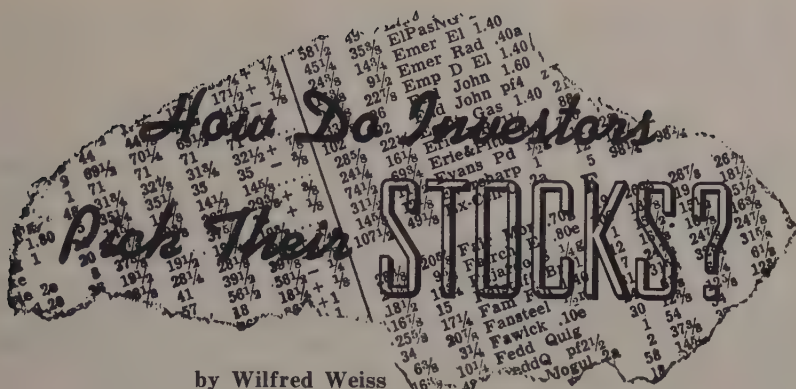
case, when the parties meet again to renew their contract.

IT IS a tribute to the arbitration process and to the arbitrators who serve under it that in almost all cases management and labor accept the arbitrator's award—win, lose or draw. Only rarely does either party refuse to obey the award or go to court trying to upset it. Either party can go to court to enforce an award. If either one goes to court to try to vacate or modify an arbitrator's award, the court generally refuses to intercede, unless it is clearly shown that the arbitrator exceeded his jurisdiction or authority under the contract, or that he breached a substantial rule of the common law.

Arbitration is not a haphazard process. It has its rules and the common safeguards that make it an equitable system for dispensing justice. When properly used in the field of industrial relations, it does help management and labor settle their differences.■

The Sentimental American Male

ANOTHER HARVARD ANTHROPOLOGIST, this one female (see bottom of page 7), also discussed the role of women in American society. Dr. Florence R. Kluckhohn said that American women were educated and employed on a "contingency basis" to be ready to work "in an emergency which the men hope won't happen." This is "psychologically ridiculous," she declared. She contended that children were better off when mother got out of the isolation of the home, and that men should stop sentimentalizing the mother role by putting it on a pedestal.



There are many reasons why investors will pick one stock over another—but all of them have to do with a desire to make money

THE MOST that can be said about the behavior pattern of investors is that people seem to buy stocks for as many different reasons as a man can find to buy a necktie. Talking to brokers, you get the impression that an increasing number of Americans are buying stock. But the best that brokers can tell us is that every investor has his own reasons, which leaves plenty of room for individual idiosyncrasies. Stock buyers still appear to be getting all sorts of "inside" advice, but this situation isn't as bad as just prior to 1929, when you could get a stock-market analysis with your haircut or shoe shine.

Wilfred Weiss is a professional writer who tries to be a four-o'clock investor, but admits to occasional lapses as a ten-o'clock speculator.

Generally, the circulation of business and financial papers dealing in stock-market information and advice is up. A steady stream of books explains the stock market and advises investors. Many have surprisingly large sales. All of which suggests that a large number of stock buyers are trying to bolster their reasoning or hunches with something more than the pattern of sunspots or tea leaves.

The approaches used and the opinions held by the financial writers, again like neckties, have substantially the same shape, but vary in pattern. The evident intent is to help the stock buyer gain some knowledge of what he is doing. At one extreme are the writers who say, "Let's quit pretending. The stock market is a speculation, so let's work for the

odds and percentages in our favor." At the other end are those who insist that they are writing only for investors, and say, in effect, "If you want to gamble or speculate, quit reading this and try the horse races."

Few subscribers willingly place themselves in either category—speculator or investor—precisely. It can be summed up by saying that a lot of 10 a.m. speculators become 4 p.m. investors.

For example, Joe Doakes has heard, rather confidentially, that Consolidated Excavations is due for a quick, sharp rise because: (a) the stock is to be split; (b) the dividend is to be increased; (c) uranium has been found in the company parking lot; (d) Consolidated Excavations is going to buy another company; (e) another company is going to buy Consolidated Excavations; (f) just because somebody says so.

Joe's caution evaporates. He wants to make some of that speculative profit he's been hearing about. He calls his broker and buys one hundred shares of Consolidated Excavations at $12\frac{1}{2}$. It's done, and he feels buoyant. This is the way to set up a nest egg. Besides, he's as lucky as the next guy. He's won his share of Indian blankets at carnivals and bazaars.

At 4 o'clock he calls his broker—or waits until he gets the stock

final edition of his newspaper—and learns that Consolidated Excavations closed at $11\frac{1}{4}$. This is a big disappointment. So he begins to convince himself that he wasn't looking for a quick profit, anyway. He "recalls" that the reason why he bought Consolidated Excavations is that CE is a well-established and well-managed company which will continue to pay 36 cents per year regardless of the market price. He is sure that he was influenced by the information that the company is diversifying into metal clothespins and that its growth prospects are sound. By 5 o'clock, he is thoroughly convinced that he bought CE as an investment for reasonable return — and long-range growth!

THIS is a reasonably common experience, because even the most conservative instinct gives way to a relatively speculative impulse occasionally, particularly in a market that has its ups and downs—but more ups. Actually, one gets the impression that aside from professional traders, very few people will admit out loud that their intentions are speculative.

One broker, whose experience agrees with this conclusion, relates that he always asks new customers whether they want immediate return or long-range

appreciation. Most prospective investors talk all around the answer, but finally come out with the fact that they want both—a naïveté they are likely to lose after a little experience in today's market.

But it doesn't take much more talking or reading before the customer makes up his mind and says firmly he wants appreciation, particularly with a stock which is a "special situation." This phrase can be interpreted in many ways, but it really describes a stock with exhibited growth prospects, but one which is sort of semisecret and hasn't yet been bid up to the point where its earnings have been anticipated for many years ahead.

An important aspect of the decision to buy stock for future growth is the desire to avoid the higher personal income tax rates in favor of capital gains. Equally important is the desire many people have to achieve retirement security.

The man approaching retirement age sees himself trying to live on an income set when the dollar was worth considerably more than it is now. The younger man is haunted by the fear that even if his salary increases keep pace with living costs, the odds are that his pension or savings will not be able to meet the future level of the dollar. Both want a

foot in the dollar's stirrup. Both would like a "special situation" to hurry the favorable process.

But whether the intent is to build a nest egg for old-age security or to provide educational funds for children, the primary consideration is to avoid another unhappy experience with inflation. In his search for a way to keep his dollars from shrinking in value, the prospective investor might talk with a mutual fund representative, the gist of whose reply is: "Put your money into a common stock fund. Money stored away in a savings bank account can lose its value. But when the value of the dollar goes down, the valuation of a stock will go up in relation to the cost of living, including college education."

THIS is something we have heard often during the past ten years: investment in stocks represents a hedge against inflation. How this actually works has not had a serious or large-scale test yet, but certainly a fear of the effects of inflation has led a lot of people to the stock market.

In addition to the worry over inflation, there are other reasons why people buy stock, based on concern with the effects of a changing world.

Joe Doakes, who has been receiving oil royalties from his family property, begins to worry

about the civilian use of atomic energy and the increasing imports of foreign oil. He consults a broker about oil companies that have foreign holdings and about companies that already are, or likely will be, experimenting with atomic energy. He buys several of the recommended stocks, feeling that he is wise to use some of his present oil income to protect himself against possible future loss of its value.

A retailer in a small urban center worries about the expansion of large chains into suburban shopping centers. He feels he is protecting himself by buying stock in department store groups. Possibly an extreme of this type of stock buying is the salesman who buys stock in a couple of rival companies which he feels are better managed than his own.

AS THIS article intends to imply, you can find almost as many reasons for buying stock as the number of people you interview. And while most of the reasons given lend themselves to general classification in one category or another, occasionally you come across an answer which is truly unique. One man claims he

bought stock in his local utility because he thought his gas and electric bills were outrageously high, and he wanted to get some of his money back in the form of dividends. Then, there is a small-time entertainer who had all of his savings invested in a surprisingly large number of shares of one of the biggest companies in the country. He had been buying the stock regularly for many years, and the only implication that could be drawn from his vague replies was that he didn't quite trust banks.

Of course, there is one reason that applies to every stock buyer—the hope to make money. One well-known businessman used to suggest facetiously that the best way to make money is to marry a farmer's daughter—provided the farm is located above a large coal deposit. Since coal no longer is as valuable as when the remark was first coined, and since even with uranium as a consideration, qualifying farmers' daughters would be in limited supply anyway, the stock market seems to be the means most readily available to enterprising people who think they know how to make their money work for them. ■



No Coffee Breaks in Milwaukee

SOME MILWAUKEE EMPLOYERS don't complain about excessive coffee breaks. Reason: no coffee breaks. In the city made famous by the golden liquid, workers in the Pabst, Blatz and Miller breweries meet twice daily for *their* traditional pause in the day—the beer break.

"Big Business"

FARMING

by Ross L. Holman



The development of giant, corporation-like farms is changing the structure of ownership, as well as the techniques of farming

OUT IN Idaho there is an 11,000-acre farm which symbolizes the trend toward big-business agriculture; it has many small-size farmers scared to death. I am referring to the Camp Farm, not because it is exceptional, but because it is so typical of what is developing in our rural economy. Many people are wondering whether the family farm is going the way of the buffalo.

With a multithousand-acre operation and a multimillion-dollar capitalization, the Camp Farm is doing things with which it is very difficult for the small land-

owner to compete. It broadcasts wheat and fertilizer by airplanes. It covers the 3,100-acre sowing with thirty tractors pulling wide-swath machines. By using airplanes, Camp not only does a "blitz" seeding job in days instead of weeks, but sows the ground when it is too wet to use ground seeders.

Manager Jim Camp gets a per-acre production of fifty bushels of wheat, twenty tons of sugar beets, 300 sacks of potatoes and other crops in proportion. He uses heavy-type implements that are considered out of the question for the average farm. With these he can cover much more acreage per day, per man and per dollar than the small family farmer. He keeps

Ross L. Holman, formerly a farmer and editor of a farm journal, now devotes his time to free-lance writing on agricultural developments.

in contact with his agricultural domain by two-way radio which can reach trucks, foremen or mechanics anywhere and at any time. If a large machine breaks down in the midst of a vital operation, he reaches a mechanic by airway communication, dispatches him to the scene and, if necessary, sends a plane to the nearest factory for a repair part. Raising a tremendous amount of crop products each year, the Camp Farm wields a bargaining power in both selling and buying that commands respect.

Many economists insist that this trend toward big-business farming is the final solution to our ever-recurring "farm problem." But if we completely swap individual farm ownership for stock certificates in giant agricultural corporations, I believe our social economy will lose something of priceless value. Ever since the founding of our Republic, family farming has not only been a way to make a living, but a way of life. It has been hallowed by so much tradition and sentiment that it would be a tragedy to see it pass.

BUT THERE are some straws in the wind which cannot be ignored. The average farm is sixty acres larger today than it was fifteen to twenty years ago. Over a million of our farms, or about one in

six, have disappeared. They have been absorbed by larger holdings.

The number of farms of 1,000 acres or more has increased 80 percent since 1920. In the 10-to-179-acre class, we have lost 1,347,000 farms. President Eisenhower says 37 percent of our farms are now producing 85 percent of our agricultural output; the remaining 63 percent produce the other 15 percent of the national crop production. Under heavy mechanization, the superfarm operator gets about four times as much production per worker as the small family farmer.

THERE are many kinds of incorporated farm operations. In some cases the corporation owns the land outright. In others a corporate management may operate numerous holdings of small land-owners who turn their acres over to the supercompany for management—and divide the profits. In either case, the traditional family farmer is no longer the lord of his own domain, or the supreme arbiter of his acres.

Howard Halderman Farm Management Service, Inc., of Wabash, Ind., is a typical example of big-business farming. It bosses 431 farms embracing 110,000 acres in seven states. Each farm belongs to a different owner. Some are foreclosed plantations turned over by the possessing creditors for

management. Others are owned by doctors, lawyers, professors and other investors. They place them with the Halderman Corporation as a channel through which to draw down the returns from their investment. Halderman operates these farms through a partnership arrangement with hundreds of unit managers directed by the over-all management.

Then there is the Kern County Land Co., a gigantic farm empire that makes the family farm look like an insect. It is made up of 12,000 stockholders, and it has a board of directors. The official personnel range on down from president to fourth-assistant cowpuncher. This 1,900,000-acre domain reaches into four states—Oregon, California, Arizona and New Mexico.

Under manager Carl Mecher, this farm colossus produces two bales of cotton per acre from 35,000 acres, 300 sacks per acre of potatoes and other crops in proportion. Everything is highly mechanized. The 17,500 cattle are handled by only twenty-seven men. Feed from storage bins is automatically released in prescribed amounts. This is push-button farming in every sense of the phrase.

KCL assigns its 1,900,000 acres to individual section managers. They may handle anywhere from

100 up to 4,000 acres each. On the payroll is a corps of soil experts, agronomists, engineers, irrigation operators, pest controllers and other specialists. They work closely with the section managers and are available in any crisis, such as insect plagues or crop diseases. Each manager plans his work strategy in cooperation with the central management.

This gigantic farm operation is financed by oil millionaires. But even so, the agricultural acres, after they once get going, are nurtured from farm profits and not by subsidies from the oil profits of the millionaires.

ONE CAN readily see from these different examples that the operation of huge acreages lends itself to every kind of short-cut and dollar-saving-per-unit method. A large operator, with 1,000 acres of cotton, for example, can save money by using a \$5,000 to \$10,000 cotton picker that can harvest as much cotton as fifty hand-pickers. A \$5,000 sugar beet harvester on hundreds of beet acres will soon pay for itself. Automatic feeding, manure handling and other switch-throwing operations might be prohibitive to the quarter-section farm, but they are a duck soup saving to the multithousand-acre manager. Then again, a small farmer who is sole owner of his acres may not be as

able to stand up under the losses of a few continuous droughts as a corporate farm, which divides the loss among several thousand shareholders, can.

Most of these advantages, and a few more, are enjoyed by Seabrook Farms in New Jersey. This is a 50,000-acre enterprise, a gigantic truck patch which not only produces its own beans, spinach, etc., but processes them—mainly by quick-freezing. Thus, unlike most farmers, it doesn't have to dump its "perishables" on the market. As its own manufacturer and processor, Seabrook buys the vegetables from itself, processes them and merchandizes them at the best marketable price possible. What would the exclusive farm owner give if he could call the turns on his own crops like that?

Like most corporate farms, Seabrook has its own soil testers, crop experts and other specialists. The farm is so well mechanized and specialized that it raises two to three crops a year on its acres. As a manufacturer, it produces its own raw materials and pursues a clocklike operation from vine to processing rooms. By coordinating its production and processing operations, Seabrook controls the quality of its finished product better than most manufacturers. For example, the controlled planting schedule keeps

each crop of vegetables reaching maturity on a day-by-day routine that just about equals the capacity of the processing lines in the factory. The timing keeps them rolling into the plant at the peak of their processing quality. Vegetable-gathering trucks go and come on a split-second schedule, directed by two-way radio. Often less than an hour elapses between picking and quick-freezing. To harvest the vegetables there are mechanical carrot pickers, spinach reapers and similar crop-gathering machinery.

BUT even with these advantages that the corporate farms possess, the family farmer is still a long way from extinction. Many authorities think he is no more likely to be eliminated than the small operator in numerous other business activities. Thousands of independent grocers and other merchants are prospering alongside the big mass-buying, mass-selling chains who have their corps of management experts and specialists like the corporation farms.

No doubt many marginal farmers will be squeezed out, and farms will become fewer and larger. But the efficient family farmer will still have the largest share by far of these fewer and larger holdings, as many economists see it.

The big-time mechanization of

the corporate farms is rapidly becoming available to the small farmer. Implement manufacturers are supplying him with tractors to meet all-size needs, from the garden tractor on up. The same holds true for cultivating and harvesting implements.

The small farmers are rapidly meeting the challenge of corporate mechanization. They are also pooling their needs. In the cotton South a \$5,000 cotton picker is sometimes purchased by several small cotton producers and passed around. Or one farmer will buy it and harvest the crops of others on a custom basis.

They are meeting the problem of mass-buying and selling by pooling their resources. Their combined buying power is erecting cooperative grain elevators, cooperative milk plants and processing plants of many kinds. In the rice country of Arkansas individual farmers, together, own multimillion-dollar drying and storage plants for their cereal crops. Together they operate airplane facilities for rapid seeding, fertilizing and chemical weeding. They hire marketing specialists to promote use of more rice in food products.

THE government is providing ever-expanding free facilities to the small farmer for soil testing, marketing advice and pest control.

This naturally offsets the equivalent advantages the superfarms enjoy.

Even the corporation farms themselves sense the importance of family farming. Both Halderman and KCL use many family farmers on a partnership basis in the operation of some of their sectional units. They share the crops with the operating family and extend the benefits of mass-management facilities.

There is a fear that big-time farming and modern mechanization will aggravate our crop surpluses. They should, actually, make the problem easier. Our total crop acreage will be under the management of fewer farmers, whether they be corporate or individual. It will be much simpler to control crop production and marketing with a smaller number than with millions of small acreage owners whose total productions swell the unwieldy national output.

With the mass-production techniques of the big farms and the cooperative pooling facilities of the small farmers, the total national product would be produced and marketed at cheaper cost. The smaller landowners, through cooperative selling, are matching the ability of the large operators in creating a bigger demand and building a larger consumer market for their produce. ■

you may want to know...

TWELVE PERCENT of the nation's teachers are comic-book fans, according to a University of California survey conducted for the state legislature. In the same boat are 16 percent of all college graduates, 25 percent of all high school graduates, 41 percent of all men in uniform (during World War II, anyway), and "all" fourth- to eighth-grade children.



*Not
Deductible*

A TAXPAYER purchased a mink coat for his wife and then claimed one-fifth of the cost as a business deduction. Seems his wife wore the coat on business occasions. Maybe the judge's wife used the same excuse for wheeling her own coat, because the court rejected the claim.

Cabanas, Too?

THE newest addition to the expanding do-it-yourself craze is the swimming pool. The following ingredients are needed: a local

contractor willing to donate his machines at cost, one paid supervisor, half a dozen or more hearty citizens willing to flex a muscle, and prefabricated concrete walls. Result: a 20 percent saving.

Cheep, Cheep—Cheap?

YOU CAN afford to pay one-third more per pound for fryer or broiler chickens, one-fourth more for larger chickens, and one-fifth more for large turkeys, if you buy ready-to-cook birds. The higher price is justified because the waste has been discarded.

*Lights, Camera,
Action!*



A ROBOT toll collector recently made its debut. It flashes a green light for honest toll-paying customers. But when it meets with a transgressor, it flashes red lights, rings an alarm and snaps a picture of the car's license plate. During its first five hours on the job, it had recorded eighty-seven motorists—and eighty-seven hon-

est toll payments. A voice may be added to inform the motorist of road conditions and the weather and send him off with a pert "Thank you, you may proceed."

Progress



RECENT scientific investigation indicates that viruses which cause the common cold may lurk in the human lung, nose and throat without causing any difficulty—until something comes along to activate them. That something may be wet feet or cold drafts. All of which proves that grandma was right after all.

Make It Twenty

PART of the reason for the recent curtailment of benefits for ex-servicemen is to encourage soldiers to stay in uniform on a career basis. If being an ex-GI is not made very attractive, it might be worth while to stay in uniform, the Pentagon reasons.



The Long and the Short

SCOTLAND is enjoying a bigger demand for men's knee socks than in any previous peak period. What is the reason for this state of affairs which keeps Scottish

plants working overtime? The current popularity in the U.S. of Bermuda shorts, which have been standard wear in Britain and her colonies for decades.

Better Reading Habits

THE WAY your eye scans this item reflects your reading habits. If you read each word and look again, or if your eye movements are irregular, you are not reading as well as you should. If you train yourself to note key words such as subjects, verbs and negative words, "switch gears" to match the material, and read ideas instead of words—you can double your reading speed.



Running Hot and Cold

ACUP of hot tea, chocolate or instant coffee is as close as the nearest water fountain, if the fountain is the new model that spouts both cold and piping hot water. Developed in answer to employers' complaints about excessively long "coffee breaks," the drinking fountain has two spigots: a blue one for cold water and a red, goose-necked one for hot. ■

CORRECTION: In the March issue an item referred to new types of "extended coverage." It should have read, "additional extended coverage."

This is the third in a series of exclusive interviews with prominent businessmen, government officials, educators, economists, etc.—people whose work and ideas influence our lives and our well-being in a hundred different ways.

John M. Dickerman speaks from considerable experience with the problems of one of Man's oldest and most enduring needs—shelter. The NAHB represents some 33,000 private residential construction firms, and it is still growing.

CHALLENGE INTERVIEW

John M.

Executive Director, NAHB

Homes—and More Americans: the Challenge

Q MR. DICKERMAN, ever since the end of World War II the construction industry has been in an almost uninterrupted boom. How many housing units are being built per month, currently?

A In this industry, of course, you have a varying rate of production due to changes in weather conditions. Our seasonally adjusted figure for February hit an annual rate of about 1,380,000 units.

Q Would that be a record?

A No. In 1950 we produced 1,400,000.

Q What was the best we could do in prewar years?

A The highest figure prior to 1945 was about 937,000 units, in 1925. Now, that has to be related to a population which was considerably less than the more than 160,000,000

we have today. When you are talking about rates of production—houses, automobiles, toothbrushes or anything else—they have to be related to some population figure.

Q Is home construction keeping pace with population increases?

A There are those who argue that we are not producing as many houses as we should. There are others who will vigorously say that we are producing as many as we should, or even a good many more than we should. We know, however, that the marketplace will actually ascertain whether we are producing too many or too few. Mr. and Mrs. America are still buying homes, still need homes, still want homes, and are still prepared to pay for homes.

Q How do you know this?

ckerman

ociation of Home Builders

omes—for nuing 'Boom'

The preliminary findings of the 5 Survey of Consumer Finances the Federal Reserve System indicate that more people plan to buy new and existing houses this year than one year ago, and even slightly more than in 1953—a peak year in the period since 1948. That, at least, is some indication of what consumers intend to do in the housing market.

Where would you say that the current housing boom is regionally concentrated—the West, Midwest?

That, of course, is a function of population growth and population distribution. I would say that the South and West Coast are probably the most rapidly growing. For that reason, the housing demand is expanding.
(continued on page 26)



"Mr. and Mrs. America are still buying homes, still need homes, still want homes and are still prepared to pay for homes."

tremely high in both of those areas, and so is production.

Q The so-called housing boom is typified by the feverish building of private dwellings. Has there been a similar growth in the demand for apartment dwellings?

A No, there has not. Some 56 percent of our people now own their own homes. In 1941, it was just about the reverse of that—45 percent ownership and 55 percent tenants. That has correspondingly reduced the total demand for rental accommodations.

Q What does the average residential housing unit cost?

A A recent Bureau of Labor Statistics structural characteristic study, in addition to discussing selling price, also mentions some other things which I think might be helpful. The average 1954 house was approximately five percent larger than those built in 1951. The typical house was a three-bedroom home, with a median selling price of \$12,300. More than four-fifths of the houses were of frame construction, and only about two-fifths had basements.

**“The cost of a house, just like the cost of anything else,
is a reflection of the components which go into it”**

Q What about the cost of a house? Has it gone up since 1945?

A Let me put it this way. The cost of a house, just like the cost of an automobile, or of a suit of clothes, food or anything else, is a reflection of the components which go into it. Approximately 30 percent of the cost of a house is in the amount of labor that goes into erecting the house; approximately 45 percent in materials; and the balance is in land, incidentals, taxes, and so on. If you just simply take an index of the increase in labor rates over a period of years and relate that to the cost of houses, you find a very close correlation. We are on the end of a long production line. Yes, the cost of housing *has* increased, but not disproportionately to anything else, including incomes.

Q What are the prospects for stabilizing costs?

A In recent years, the last two years particularly, there has been a general stabilization in cost. We do have certain problems which make it difficult to hold the price line. In many areas, due to rapid

growth, builders are now having to develop what we call "raw" land. We have to put in the streets, the sewers and often even the utilities. We have to provide areas for schools and areas for shopping centers, and so on. The end result of the scarcity of what we call developed land—land which has these facilities—is an increase in the land costs of the housing package. In some cases we have been able to overcome such increases through efficiencies in production.

Q Is the rapid rate of construction helping all income levels to better their housing accommodations?

A Well, let's first look at the entire housing inventory. We have in the nonfarm areas forty-five to forty-six million units of housing of all kinds—rental, owner-occupied, etc. Therefore, the volume of new construction going into the total housing inventory every year is small percentagewise. We can expect, at best, only a small portion of the total population to be housed in new housing in any given year. Of course, every time a family moves into a new house, a vacancy is created. It has been estimated that each move to a new house creates between six and seven moves down the ladder, or up the scale, however you want to characterize it. This shifting is going on all the time. Units which are no longer fit for human habitation drop out through demolition, fire, storms, clearing away for highways, or what have you.

Q What do you think is the significance, sociologically, of the trend toward greater home ownership?

A When a family owns a piece of ground and has a home on it—not a house, but a home—its members have a tendency to become much better citizens. They are concerned about what their tax money is used for; they are concerned about conditions in their community. Now, this isn't to imply, of course, that because people rent they aren't good citizens, or as good as they might be. Don't misunderstand me. But our purpose, by-and-large, is to further home ownership. And we believe ownership makes better citizens.

Q The construction industry has sometimes been criticized for being technologically backward and not generally as much on its toes as, say, the automobile industry. How does that strike you?

A That is simply not true. Technological progress in home building has been moving forward at an amazing pace. The use of power tools is the rule rather than the exception. Precutting of materials is customary. Frequently, complete sections of houses, built in plants on or off the site, are installed as units. Whole storage walls which double as furniture, new and dramatic materials, including plastics, laminated products and steel, "new model" designs providing greater comfort and livability, and many other examples refute the criticism of technological backwardness.

Q What about the prefabricated house?

A There are a number of successful prefabricated homes. Some of our members specialize in building them. The success of the prefabricated home varies widely in different communities, depending on local consumer attitudes toward different types of construction, as well as local labor costs, preferences with respect to frame-versus-masonry construction, architectural likes and dislikes, and so on. Sometimes, local conditions prevent the wide use of prefabrication, and in other places no problem arises. Actually, even a so-called conventionally built house has many prefabricated parts put in it, including such things as storage cabinets, wall sections and trusses. Of course, one of the problems you have with any product which is manufactured in a plant is to provide custom-built variations—without adding to production costs. When you start building special gables, porches and the like, that costs money.

Q We've been hearing quite a lot lately about the unhealthy nature of the current pace in construction. Several economists have said that it is overextended—particularly in the field of mortgage finance.

A Statistics can be misleading. It is true that construction is running ahead of family formations now. But this ignores completely the fact that we draw our customers for new homes only to a certain degree from new family formations, but to a very substantial degree from people who already have homes or who have already formed their families for some time. As for financing, a recent Federal Reserve Board survey indicates that mortgage funds are still readily available, although perhaps not quite as available as they were a short time ago.

But here is the most important point. It is the ability of the people who buy the homes to make good on their mortgage payments which tells whether it is a sound piece of business or not. In other words, if you go into a recession, you are going to have trouble. If the recession is deep enough, even if you put one-third down on your home, you can still very easily lose the one-third. There is every indication that the Federal Government, whether it be the current administration or any other one, is going to do everything within its power to maintain a high level of employment and a high level of economic activity. That is the basis for a great deal of our present activity.

"If you go back into history, one of the great struggles of the common man has been his effort to acquire some land of his own."

Q Mr. Dickerman, we discussed the fact that more and more people are owning their own homes now. Why do you think people actually want to buy homes?

A Well, the motivations, of course, are varied, extremely varied. They range all the way from a conviction that instead of a bunch of rent receipts at the end of twenty years, you wind up owning something which is all yours, to the idea that investment in a home is a good piece of business. Judging by the increase in value in practically every home that has been bought within the past ten years, this latter consideration certainly has been worth while. Now, beyond that, you have many intangible considerations— increase in the size of the family, for example, the desire to give children fresh air and a piece of ground to play on, and so on.

As a matter of fact, if you go back into American history, and European history, also, one of the great struggles of the common man has been his effort to acquire some land of his own. And the opportunity to own land, as you know, has been denied to millions and millions of people in this world. One of the fulfillments of the American dream, so to speak, is the extent to which that privilege and that opportunity have been made available to the common man.

Thank you, Mr. Dickerman.

Object:

Good Health!

by Marion L. Briggs

"Feeling good" is a round-the-clock need—including the workday

WHEN Benjamin Franklin gave advice on how to be "healthy, wealthy and wise," he was equating good health with the other prime attributes which enhance our status while on this earth. The maintenance of good health has assumed such a prominent place in our everyday affairs that in most places of work today the cost of assisting employees with their health problems is considered a necessary and desirable expense of the business enterprise.

The two million employees who daily are absent from their jobs because of accident or illness—and who cost business ten billion dollars each year—have been a key factor in bringing this problem into sharp focus. The Esso Standard Oil Company, for example, with its present rate of ab-

senteeism, must employ twenty-three additional workers for every 1,000 it needs on the job. With close to 26,000 employees on the payroll, Esso is paying for, but not getting, the services of some 600 workers.

About thirty years ago, when industrial health programs first began to be generally introduced, concern for the worker's health was merely a matter of establishing an emergency first-aid station to treat minor injuries sustained while on the job. Over the years, with improved safety devices and greater attention to safety measures, job accidents and hazards have decreased markedly.

Today, industrial accidents are no longer an important factor in employee absenteeism. Truly impressive safety records have been attained. To cite just one, that of the American Telephone and Telegraph Co., in every million working hours, there has been less than one occupational accident severe enough to cause a worker to be absent from his job. Smaller companies have also greatly reduced job accidents and resulting absenteeism—often by as much as 50 percent.

With on-the-job accidents and the consequent drop in productivity no longer one of management's major concerns, attention has been shifted to the more general aspects of the worker's health

needs. The objective is to enhance his potential as an employee and as a citizen. Diagnostic and preventive medical services are being set up to help the worker understand his health problems, and, if necessary, to direct him to the proper channels in the community for treatment.

Implementation of this approach has been less concerned with the *number of absences* because of sickness and more with the *pattern of absences*. Why, for example, in some companies where statistics are available, do only 30 to 40 percent of the workers account for 100 percent of absenteeism due to illness?

In order to find the answers to this type of question, industry has expanded its medical services and research facilities. Already it has been learned that a great many of the people who stay out because of illness are absent either as a result of job misplacement or because of some personality adjustment problem related to the job. The desire to resolve such difficulties has brought concerted action by the medical unit, the employee-relations division and management in general—all working together.

Because it has been discovered

Marion L. Briggs, teacher and freelance writer, prepared this article from firsthand interviews with leaders in the field of industrial health.

that job satisfaction is important in terms of employee productivity and reduced absenteeism, industry is beginning its study of the worker *before* he starts his job. In a progressive medical program, the prospective employee receives a preplacement examination which discloses his fitness to do a particular job and to derive satisfaction from it. After the employee is hired, the facilities of the medical department are open to him for examinations and counseling. In this way, his interest in his own health increases, as does his confidence in the company's concern for his welfare. If any job satisfaction problems arise, the wheels are set in motion to handle them.

The matter may be as simple as the case of the very conscientious employee who had been promoted in recognition of his hard work. Shortly afterwards, he began staying home from work frequently, in sharp contrast to his previously regular attendance. A visit to the medical department eventually revealed the trouble. The employee had not attended college, and the promotion placed him in a department staffed by college graduates. The distress he felt in daily association with individuals who had received higher education resulted in feelings of inferiority and unhappiness. After several consultations with the

medical department, his supervisors and with the employee-relations division, the worker was returned to his old job. This action—which, under different circumstances, might have destroyed a man's self-confidence—in this instance brought a return to earlier work habits and good attendance.

Another case concerns a young woman who had a slight heart murmur. She had once been told by a private doctor about this condition, but it had not been explained to her that a heart murmur need not interfere with her working life. She thought it was necessary to stay at home frequently to rest. When repeated absences brought her to the medical department, she was relieved to discover that her worries had been groundless.

AS A result of the expanded health program in industry, management is taking the doctor into partnership as a business consultant. Whereas the doctor was once only a "repairman" for on-the-job injuries, he has become an indispensable adviser, consulted by personnel directors, union executives and engineers developing

new equipment which the worker will use.

In terms of cost, effective health programs vary considerably. Large companies can, of course, afford more services than small ones. It is not uncommon for big concerns employing 25,000 or more workers to spend \$25 per worker annually for health services. But even small companies with from fifty to 2,500 employees can set up a basic health program for about \$1,000 and spend an average of \$10 to \$17 per worker annually. These figures are based on recent statistics of what actually is being done. And while even minimum costs to maintain an adequate employee health program are relatively high, the returns are larger. Dr. Leo Wade, medical director of Esso Standard Oil, testifies: "I am convinced that this type of medical program in industry has social significance, significance for the future of the practice of medicine, significance for the future of employee relations, public relations and union relations. . . . Most of all, it has significance for the establishment and assurance of the continuation of the dignity of the individual worker." ■

A Studious Population

IN TEN YEARS adult students will outnumber those in grades one to twelve. Now, thirty million people—men and women in equal numbers—are taking courses. About half take "brain" courses, half crafts.

from facts and figures

Economics in Action

*New gains for GNP;
rising industrial output;
construction makes and
breaks a record; more
spending, more investment;
employment lags behind
the pickup; the perennial
farm headache*

THE MOST comprehensive measure of our economic activity is the total value of goods and services produced in the nation in a given year—called, technically, **Gross National Product**. In 1953, GNP was \$361 billion; in 1954, \$357 billion. The decline was largely due to a drop in business investment and cutbacks in defense spending. GNP figures, computed quarterly by the **Dept. of Commerce** and expressed at annual rates (showing how the economy would measure up at the year-end if the quarterly rate held throughout the year), indicate that the \$371-billion rate reached in the second quarter of '53 was the best in the last two years. After that peak, GNP declined until it fell to \$355.5 billion in the third quarter of '54. However, the fourth quarter marked a decided upturn, scoring at \$362 billion. It was indicated that increasing amounts spent by consumers, business and government, would stimulate a rise in productive output. Key economic gauges in '55 now show that when first quarter GNP figures appear, they will mark a further trend upwards.

The **Federal Reserve Board's Index of Industrial Production** for February reached 133, a 2-point upturn from January, and up from the year-ago February mark of 125. The Index, which measures volume of physical output, is edging closer to recouping the all-time high of 137 set in July '53. Gains were made in the **durables, non-durables** and **minerals** sectors of the Index, **autos** leading the production

hike in the durable-goods group. **Steel** showed its best pickup in two years, gathering strength from producers other than the automakers.

Construction, though still booming, showed a slowup in February. New **housing starts**, counted by the **Dept. of Labor**, were 90,000, up 2 percent from the January figure—but 4 percent below a normal seasonal rise.

Consumers continue to step up their buying pace, which has bolstered the economy all along. **Retail sales** for February, unadjusted for seasonal changes, were \$12,845,000,000, a boost of about \$800 million over February '54. The **Dept. of Labor's Consumer Price Index** stood at 114.3 in mid-February, slightly lower than a year earlier.

A joint report of the **Commerce Dept.** and the **Securities and Exchange Commission** points out that **businesses**, too, will be spending more in '55. Outlays for new plant and equipment are expected to rise to \$27 billion, up \$200 million from 1954's total.

The business pickup, however, has not yet been felt so sharply in some parts of the economy.

Dept. of Labor statistics on **nonagricultural employment**, seasonally adjusted, rose to 48,525,000 in February, up slightly from January, but still lower than a year ago. Manufacturing took on

most new employment. Those now at work, however, put in longer hours and took home **fatter paychecks**. Average weekly earnings in **manufacturing**, which were \$71.28 in February '54, are now \$74.93; the average workweek has risen from 39.6 to 40.5 hours.

Unemployment in the country, estimated by the **Bureau of the Census**, reached 3,383,000 in February, up 36,000 from January. The rise was felt wholly in the **agricultural** sector of the labor force.

With **commodity prices** still falling, the farmer is left holding the bag incomewise. January '55 farm income from marketings and government payments was \$2,571,000,000, a **decline of 5 percent** from January '54. The February '55 index of **Prices Received by Farmers**, as computed by the **Dept. of Agriculture**, scored at 245, up one point from January. A year ago February the index stood at 258. **Better prices for tobacco and eggs** made up the current rise, other commodities remaining weak.

Thus, with first quarter figures for '55 almost complete, the economy in most sectors is shown pulling out of its mid-1954 recessionary rut and building on the **recovery** begun in late '54. There is both impetus and room for growth. ■



A New World of Commerce

National consciousness induces a preoccupation with "balance-of-trade" ideas

THE TERM "mercantilism" may be applied to any one of a group of politico-economic ideas which dominated Western European thinking from the end of the Middle Ages until halfway through the eighteenth century. Although there is considerable difference of opinion as to the significance of each of these ideas and theories, mercantilism, as a catch-all, is invariably associated with the emergence of a complex exchange economy and the growth of national self-consciousness.

Actually, it is impossible to treat mercantilism as an integral whole. Economic life underwent vast and rapid changes during

the three hundred years after 1450, and economic theories had to be adapted to changing conditions. For the time being, therefore, we shall deal only with the "orthodox" mercantilists of the sixteenth and seventeenth centuries, when the tempo of trade, commerce and geographic exploration was stepped up to such a degree that historians refer to the period as the "era of the Commercial Revolution."

To understand the economic theories of orthodox mercantilists, we must first understand what they were trying to accomplish. Mercantilism was, above all, an attitude towards trade and commerce, cast in a national frame of reference. Men began to trade as Englishmen, as Ger-

This is the fourth article of a series in **CHALLENGE**, dealing with the economic development of Man.

mans, Genoese, and so on. At the same time, most mercantilists were merchants who looked to the state to protect their trading interests. Therefore, next to enriching themselves, enriching and strengthening their own countries was of primary importance.

As merchants, their business was to exchange goods. But to settle differences in accounts which were bound to arise when one side exported more than it imported, the final settlement had to be *in gold or silver*, the only units of exchange universally acceptable. It was natural, then, to regard the circulation of precious metals as the essence of economic activity, and the acquisition of gold as the essence of wealth. Indeed, the search for gold in distant lands was the specific form which commercial expansion first took. "Gold," said one rather irreverent fifteenth-century observer, "is a wonderful thing! . . . With gold one can even get souls into paradise."

In the early sixteenth century, most nations jealously guarded their stock of precious metals by prohibiting export of those metals. We might say this was a policy of accumulating wealth by hoarding. This "bullionist" policy, as it came to be called, was defended by the writers of the time as the best way to accumulate treasures within the state. Even

individual commercial transaction with foreigners should, they felt, be so controlled that more precious metals came into the country than left it.

IN ORDER to understand what led these early merchants—there were no "economists" as such dealing with these problems—to emphasize the need for bullion, we must take a look at the economic conditions of the period.

During the period of her primacy in the sixteenth century, Spain controlled most of the precious metals of the world. It is hardly surprising that merchants everywhere, viewing Spain's prosperity and political prominence, should conclude (in the words of the French mercantilist, Bodin) that "it is the abundance of gold and silver that constitutes the wealth of nations." Nor is it surprising that Spain should have sought to *protect* her vast store of treasure through old bullionist policies. But, at the same time, "have not" countries like England and France naturally came to place greater emphasis on *increasing* their meager stock of precious metals through exporting more than they imported—by attaining a favorable balance in trade. Thus, trade became the means, and gold the end. Trade, they came to realize through force of circumstance, was the best way of obtaining

gold. Spain did not learn this until too late.

It is in this setting that men like Edward Misselden, Antonio Serra and Thomas Mun arose to challenge the older bullionist views. They became the orthodox mercantilists. These writers, while they agreed by-and-large with the bullionists that it is the amount of gold within a country that determines a nation's wealth, disagreed on the way that bullion could best be accumulated within the state. In particular, they objected to the old prohibitions against the export of precious metals. To Misselden and Mun, who were both associated with large trading companies, it was the "balance of trade"—or *total* account of a nation, regardless of individual transactions—that was the key to a country's true wealth. In order to obtain a "favorable" balance of trade, a country must find foreign buyers of its wares; and trading companies such as theirs, they hinted, could do this—if permitted to make expenditures overseas.

Mercantilists became increasingly aware of the fact that an inflow of precious metals was beneficial only if it were employed as financial capital to stimulate foreign trade. For countries like England and France, with no sources of gold supply, only trade could prevent a nation's store of

precious metals from constantly diminishing.

IT IS IN the writings of Thomas Mun, a successful seventeenth century merchant of London, that the ideas of orthodox mercantilism find their fullest expression. To the balance of trade concept of his contemporaries, Mun adds several important points. Too much attention, in his opinion, was being paid to maintaining favorable trade balances with particular countries. As long as the general or over-all balance of trade was favorable, he felt, the nation was following sound commercial policies.

Although Mun regarded treasure as the "sinews of war," he paid little attention to precious metals for their own sake. It is good to have a plentiful reserve of treasure, he felt, but in the long run it is the use to which accumulated treasure is put that counts. Or, as Mun wrote: "*If we behold the actions of the husbandman in the seed time when he casteth away much good corn into the ground, we will rather accompt him a mad man than a husbandman; but when we consider his labor in the harvest which is the end of his endeavors, we find the worth and plentiful increase of his actions.*"

Although Mun restricted himself to foreign trade as the only

productive use for accumulated treasures, his notion that wealth must be put to work laid the basis for later theories of capital.

Throughout most of this period, people believed that the wealth of the world, which they tended to identify with the world's supply of precious metals, was limited, and that economic progress in one country could only be accomplished at the expense of another. Gradually, however, the realization took hold that the best way to ensure a surplus of exports was to develop the production of exportable goods. Government policies in the late seventeenth and early eighteenth centuries continued to regulate the flow of commerce, but the emphasis shifted from exchange regulations to the protection of "infant industries." This protection took the form of tariffs, embargoes on imports, encouragement of the import of raw materials and subsidies for new home industries.

AS LONG AS the favorable balance of trade remained the touchstone of sound commercial policy, it was natural to look upon those members of society whose occupations contributed most directly to the accumulation of treasure

within the state as the most productive. Thus the merchant was held in the highest esteem; the manufacturer (particularly the producer of exportable goods) came next; while the agricultural classes came last. Since competitive export could only be obtained by keeping down production costs, most mercantilists stressed the need for low agricultural prices, low wages and low interest rates. Low agricultural prices, they believed, would inevitably keep down wages, which they mistakenly thought would never for long exceed the bare minimum needed for subsistence. As for interest rates, most of the orthodox mercantilists believed that they should be fixed by the state.

Much of the thinking of the mercantilists may appear absurd, or at best naive, now. But in its time, most historians agree, these theories played an important role in the development of modern capitalist society. They abolished Medieval restrictions and helped to produce unified and strong political entities. These, in turn, helped to expand competitive trade, until an economy based on commerce could be slowly transformed into an economy based on manufacturing. ■

NEXT MONTH: Critics of "orthodox" mercantilism
pave the way for the classical economists.

Notebook Economists

by John S. Gambs



The Survey Research Center is attempting to project future economic behavior by compiling data on consumers' habits and intentions

SOMEWHERE in current literature the scientist is referred to as a man with a notebook—and a heroic doubter. "Look at those sheep up there on the mesa; they have just been sheared," says a train passenger to his companion. But the second man, a true scientist, replies dryly, "Seem to be, on this side."*

Economists, through no fault of their own, have not always complied with such rigid standards of scientific evidence. Unable to use test tubes and not knowing exactly how a notebook could help, economists relied at first almost entirely on unproved assumptions, on common sense and what they themselves have called "imaginary experiments." But as the world moved into the second quarter of the twentieth century, govern-

ments began to collect more facts and figures, and the statisticians refined their techniques. These developments permitted a few economists to get away from their sometimes treacherous realm of imaginary experimentation. But statistics have their limitations, of course. Thus, the imponderables of human behavior, which contribute toward the making of statistics, have assumed an increasing importance.

A few men interested in psychology have invaded economics and have begun to look for the answers to some extremely important questions which could not be answered by pure reason, common sense observation or statistical research. One such man is

*From *The Proper Study of Mankind*, by Stuart Chase.

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Rensis Likert, director of the Institute for Social Research at the University of Michigan. More than a decade ago, Likert was already conducting important surveys for the United States Government, some of which affected both agricultural and war policies. Another such man is George Katona, of German origin, who, as Program Director of the Survey Research Center, is in charge of much of the strictly economic work of the Institute.

All three of these men came to economics relatively late in life. This may have handicapped them at first, but it also had its advantages. Trained in other fields, they came to the science of economics with a fresh, level gaze. That this level gaze should sometimes have bred doubt is not surprising, for it is a well-known fact that economists and psychologists do not always see eye-to-eye on matters of human behavior.

Here is an example of the sort of thing that has interested members of the Institute. The late and well-known economist, John Maynard Keynes, laid it down as one of the cornerstones of his boom-and-bust theory that in the short run, when incomes rise, people save a greater percentage of their new income; and when incomes fall, they save less. In other words, according to Keynes most of us are sufficiently crea-

tures of habit to cling to our accustomed standards of living whether our incomes rise or fall—at least in the first year or so. In the longer run, obviously, we make a fuller adjustment. Keynes called this a fundamental psychological law, but, of course, he was not a psychologist. Let us see what George Katona, psychologist-economist, has to say about it.

IN THE early postwar years, Katona was making a survey of consumer finances. He sent men with notebooks out into the field to find out what people were buying, what they wanted to buy, whether they had recently had decreases or increases of income, or expected them soon. The purpose of the survey was to get facts on the basis of which they could forecast good or bad economic weather ahead—not to prove or disprove Keynes. But the data that came in from the field so obviously shed light on Keynes' "fundamental law" that they could not be ignored. After careful analysis of the figures, Katona found that Keynes had been right enough about people with income cuts: they did seem to keep spending money near former rates in spite of reduced earnings, and therefore they saved less. But many of those with increases of income *also saved less*, in quite non-Keynesian fashion; they spent the whole

of the increase, or even more! And then there was an important third group that Keynes had overlooked: people whose incomes remained the same, but who feared a decline in income and who were saving in anticipation of a wage or salary cut.

Katona is modest about these findings. He does not claim that they have demolished Keynes' "fundamental psychological law." Perhaps it works in England, which Keynes understood better than he did America.

One can only say that for the United States the "law" should be taken with a grain of salt. In any event, the important thing is not whether Keynes is right or wrong. What is important is that we should understand better that complex, baffling and important individual called the consumer. Good times and bad times, economic growth and stagnation are often deeply affected by his spending and saving behavior.

AGAIN and again the men with the notebooks have brought in data which, when processed, upset ideas widely held by experienced businessmen and good economists about the current state of the economy. Early in 1949, an expected lag in consumer buying caused considerable alarm. But Katona took part in a reassuring survey that indicated a continua-

tion of large-scale consumer buying—which proved to be right.

Two years later Katona's survey scored a similar triumph—this time with quite different findings. Early 1951 was a period of scare buying and price inflation; the Korean war was going badly. Experts were saying that people who feared renewed shortages would sweep the shelves clean in frenzied buying. But data compiled by Katona's researchers pointed to a reduction in the rate of consumer purchases. And this, too, was confirmed by the passage of time. The experts then said, "All this is just a temporary lull." The Survey Research Center took another look at consumer attitudes and found that people were planning to be pretty stiffnecked about buying, in spite of the fact that they had plenty of money and many unfulfilled wants. Katona said that this would be more than a temporary lull, and again he was right. It turned out to be a rather baffling and prolonged period of consumer resistance. Fortune magazine spoke of it later as the "saving spree of 1951."

Many economic theorists of a decade ago were always looking for a saturation of the market and a consequent stagnation in the economy. According to Katona, however, "levels of aspiration rise with achievement." This statement can be verified in

the psychological laboratory in certain problem-solving situations. Applied to economics, it means that if a family succeeds in scraping together enough money for a washing machine, then it is encouraged to save for a dryer; and if it succeeds in this, then it may try for an air conditioner, an out-board motor, or a second automobile. And this can be rechecked through interview surveys—that is, by men with notebooks. Thus, Katona finds no strong tendency toward eventual saturation or stagnation.

It must not be inferred from all this that we can settle all of our economic problems simply by sending out a team of men to ask questions. It is not that easy. Questions must be carefully framed and interviewees chosen with a view toward finding a true cross-sampling of the population. Data must be evaluated in the light of both psychological and economic theories, and allowances must be made for changes in attitudes and economic conditions. The same stimulus does not always evoke the same response.

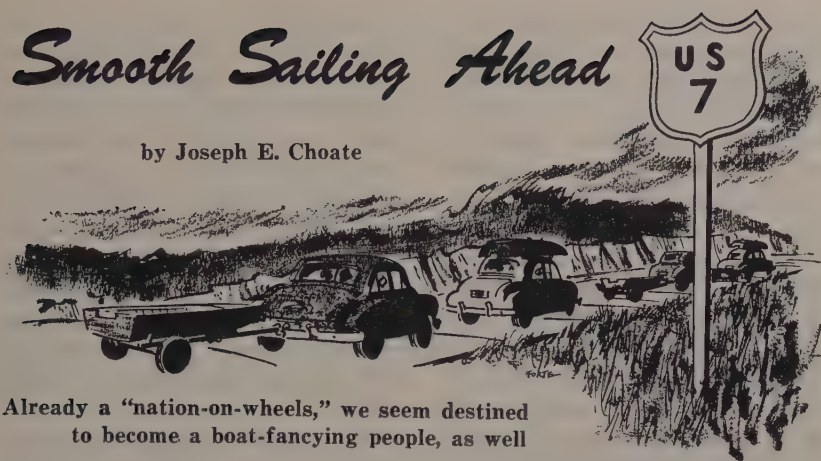
HOW MUCH may economics hope to profit from this kind of psycho-economic polling and from the processes of analysis that go with it? A great deal, probably, though no miracles are claimed or should be. Extension of human knowl-

edge is hard and slow. There are no short-cuts to wisdom and wisdom comes dear. Despite this, the work of Katona and his able colleagues has already been widely accepted. For several years the Board of Governors of the Federal Reserve System has relied heavily on the work of the Survey Research Center in the preparation of the Board's Survey of Consumer Finances. The professional journals are printing its more theoretical articles, and its influence is being felt in other institutions of learning.

I recently asked Katona whether he thought his work might lay the basis for a new and more reliable economic theory—not just a few facts, predictions or checks on economic thought, but a whole new system of economic theory. His reply was an enigmatic and very European shrug, a deprecatory wave of the hand and a few incompleting phrases, all of which I interpreted to mean something like this: "I am no system builder. I do today's job today and tomorrow's job tomorrow. The kind of work that I do is scarcely more than a dozen years old. Give us twenty more years and we shall see what we shall see. Maybe by then all of us together—economists, psychologists and other social scientists—shall have built up a new and more reliable system of economic theory." ■

Smooth Sailing Ahead

by Joseph E. Choate



Already a "nation-on-wheels," we seem destined to become a boat-fancying people, as well

MORE THAN twenty million men, women and children in all sections of the United States—roughly one person in every eight—will spend some of their 1955 leisure time in a boat. This is a far cry from the days when boats were the playthings of millionaires, far beyond anything the average middle-class family could afford. It is difficult to realize now that this is the same activity about which J. P. Morgan once made his famous remark, "If you have to ask the cost, you can't afford to own a boat."

Nothing characterizes better the changes that have taken place in boating since J. P. Morgan's day than the fact that, with only

scattered exceptions, gone are the palatial 300-foot steam-driven yachts, the huge sailboats with 20-man crews and the sleek high-powered 80-foot motor launches. In their places today, dotting the waterways everywhere, are the 12-, 14- and 16-foot outboard runabouts, packed with fishing gear and picnic boxes for the day's family outing; the myriad, small, one-design sailing classes—10,000 of the 15-foot Snipes alone—and the 30- and 40-foot inboard cruisers, comfortable enough for an entire family's two-week vacation or a weekend waterborne house party.

Since the days of the "roaring twenties" when the market was flying high, wide and handsome and the boating of the day reflected it, there has been an evolution in the recreation patterns of

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America. More people today have both the time and the money for recreational pursuits. Active-participation recreation is constantly growing in popularity, and boating is riding the crest of this increased activity.

In 1955 there should be about 5,500,000 pleasure craft that will take to the water—about one boat for every thirty of us. The number of craft available since 1929 has increased by more than 370 per cent, with the major gain coming in the outboard variety. A quarter-century ago inboard boats outnumbered the outboards by almost two to one. Today, there are more than five times as many outboard-powered craft as there are inboard cruisers and runabouts. The trend away from the big, expensive, fast and narrow boats began with the depression. Boat builders, hard hit as was the rest of the nation, were forced to do a great deal of retrenching. They began concentrating on the smaller, family-size cruisers and the outboard craft, boats that people could afford. Beam was increased in proportion to the shortened over-all length, and draft was lessened, giving a shorter, fatter craft that nearly rode along the top of the water rather than through it.

The lessons learned by the boating industry during these depression years paved the way for

the tremendous surge that recreational boating was to take at the end of World War II. The boatbuilder had learned how to turn out a product that would appeal to the "little man," at a price the average, budget-minded family could afford to pay. Builders came close to developing mass-production techniques—if not full-fledged assemblylines—which would bring down unit costs. Then, too, new processes and materials were researched and tested, materials such as plywood and aluminum.

BY THE time the postwar splurge in consumer spending on durable goods started, the boatbuilders were ready, finally, to cash in. From less than 2,500,000 pleasure craft of all types and sizes in 1947, the fun fleet swelled to more than 5,250,000 in 1954. This year an additional 250,000 craft will be added.

The shorter work week that has become so prevalent in American business and industry means that a family can spend two whole days afloat each week. More families are doing this every year. The two-weeks-vacation-with-pay, almost universal now, gives the boating enthusiasts a chance to take a real, honest-to-goodness extended cruise, or to put a runabout on the family trailer and take a run out to one of the many lakes and waterways that abound

in most sections of the country.

For just a little over \$400, the budget-conscious family can be a member of the boating fraternity, and what is more, it can do this in installments. A 7.5 horsepower motor costing about \$240 can adequately propel a 12-foot utility runabout. Such a boat carries a price tag of about \$150, and with the legal safety equipment the total amount would come to about \$425. Of course, there are boats even lower in price, such as the 8-foot pram kits that sell for about \$50 and take outboard motors in the one to three horsepower range, which cost only \$150. However, the 12-footer is a good size for family use and can attain speeds of up to 12-15 miles per hour with a 7.5 horsepower motor.

This is a far cry from the 80-foot commuter craft that churned the waters during the twenties. The owner of such a boat once said it cost him about \$400 to make a 90-mile voyage on Long Island Sound. Today, that same amount buys boat and motor to provide fun for an entire family.

Marine propulsion units have kept pace with changes in boat design. Outboard motors have

been improved from the putt-putt stage; their horsepower has been increased. In the last year or two, they have been engineered to reduce sound and to start electrically at the touch of a button. Inboard gasoline and diesel engines are more compact, lighter and with much higher horsepower to weight ratios, burning far less fuel than their predecessors to achieve the same amount of work.

THE whole trend in recreational boating, from a millionaire's luxury to a sport that is geared to average family participation, is one of vastly greater retail sales at all levels of the industry. The sale of boats, motors and boating accessories in 1954 totaled just over one billion dollars at the retail level—the first time the industry has ever topped the billion-dollar mark. This record was made in a market where the average expenditure per boat was only \$200.

At \$200 a year, boating has come a long way since the day J. P. Morgan made his rather presumptuous remark on the cost of boating. The budget-minded family *can* afford to own a boat, even if it must ask about the cost. ■

Practicing What You Preach

THE EARLY GREEKS certainly took their philosophy of a "sound body" seriously. They at least had to have a strong stomach to follow the rules of their insurance companies. To be insured, one requirement was to drink a mixture of hippopotamus fat, wine and milk.

a personal note

from the editor

*a guarantee is as good as
the ability to back it up*

EVEN WITH THE NEGOTIATORS still playing their cards close to the vest, it does not take the penetration of an X-ray to see that something called "a guaranteed annual wage" will come out of the talks currently going on in Detroit. This does not mean that the auto makers should or will give in to all that the union is demanding. Nor does it mean that the union will give up the idea of GAW.

Labor insists that it is time to put *in writing* that which management has been trying to make a fact—a full year's work (pay) for those who expect to make a full-time living at their jobs. Management can live with such a formal declaration, provided that fixed charges for unproductive labor are not so rigid that flexibility and growth potential are destroyed. Interestingly enough, neither side can convince the public that the other is totally wrong in these basic arguments.

Let us consider what is being negotiated. Labor wants a stipulated minimum annual wage. Management does not say that this is an immoral objective—something a human being should not have. Then what is the crux of management's argument against GAW? It is procedural rather than substantive. There is no objection to the idea of adding just one more step to the historic stairway toward greater security in the pay envelope. The problem is how to construct that step—without impairing the facility of the guarantor to guarantee.

Management will need a guarantee, too. Since the health of a business enterprise depends on economic conditions which cannot be stipulated by contract, the guarantee that *can* be extended to employees will be more distinguished by its conditional nature than by its incontrovertibility. To demand more would be suicidal.

These are the facts of life in this affair. The union negotiators are not unaware of them. Moreover, they cannot say that the American worker has not reaped consistent benefits from the progress that our economy has achieved. Even if they wanted to, facts and common sense would belie the charge. Management is not

generally regarded as the villain in this play. There is no villain. If this makes the drama too subtle for a cut-and-dried treatment (after all, the audience is not booing anyone in the cast), it only goes to prove that labor-management relations in this country stand above simple melodrama and are considerably removed from the charged atmosphere of social split and of two armed camps facing each other.

Then what is the strongest point in labor's demands? Stripped of all the sonorous phrases, it boils down, in this instance, to a demand that the tempo of the automobile business be stabilized. If there is to be some sort of guaranteed annual wage, this is the only facet of the industry that the industry itself can try to control. What else? No one can guarantee that a given auto firm *will* sell *x* number of cars in one year.

But even in the area of production stabilization, there are some big questions that leave little room for absolute determination. You have got to sell when people want to buy. You have got to step up production when demand calls for it. It must remain management's prerogative to manage the production schedule, just as it is left to the union to manage union affairs. After all, one side is not less interested in solving the business cycle than the other. True, advertising campaigns and the timing of model changes can try to level out the pace of sales. But it will be impossible to gauge completely the pattern of market demand.

THUS, IF THERE IS TO BE any guarantee of annual income, it will still have to be drawn up in loose and flexible terms. For the vast majority of the *regular* and *full-time* employees of the auto industry, the guaranteed annual wage will be a psychological guarantee. The amount of money that goes into the pay envelope will continue to be determined by the rules of economic possibility.

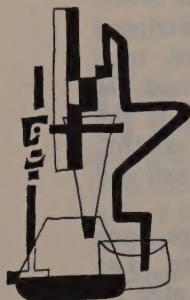
The present negotiations do not have the makings of a sensational turn in labor's history. Evolution has proved to be so profitable for all concerned that doctrinaire obstinacy and reckless tactics cannot be justified—nor will they be attempted, I believe.

The auto industry is headed for another good year, perhaps its best. The pace of the general economy thus far indicates another banner annual performance. Neither labor nor management will risk the charge of having upset the year's progress by intransigence. All things considered, there seems to be every reason to be optimistic.

If by chance it should turn out quite differently, it will be because someone forgot that he never had it so good.—H.B.



Dept. of Better Mousetraps



From the World of Industry: an instrument that can pierce darkness, fog and smog and detect objects at great distances . . . Stenomask, a microphone built into a face mask, for reporters and other shy people who don't want everyone to hear what they are recording . . . and, for the secretary or boss with a cold, germicidal pads to sanitize telephone mouthpieces.

* * *

Sportsman's Delight: for golfers tired of getting their feet wet, a shoe leather that sheds water, stays soft and still "breathes" . . . and, to make the coach's dream come true, a fumble-proof football—with a handle.

* * *

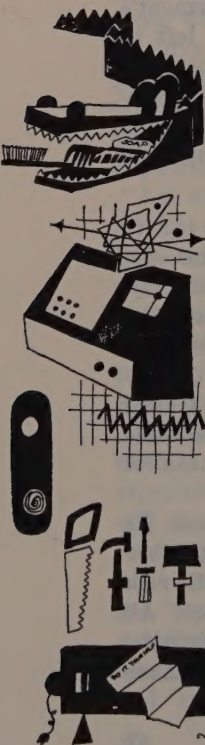
Junior Department: an animal-shaped toothbrush holder . . . a children's record player with an illuminated kaleidoscope . . . an auto baby seat complete with horn, steering wheel and gearshift . . . and, for doting parents, a reproduction of Junior's artistic drawings on an 8-inch pottery plate.

* * *

Fabric Fantasy: a plastic-based spray to change the color of any faded fabric . . . another spray, this one on the carpet, to repel dirt and dust . . . a drapery fabric with a built-in lining . . . a foam rubber slip-cover which is wrinkle-resistant, washable and needs no ironing . . . and a laundry rinse which coats the fiber so that it dries wrinkle-free and fluffy.

* * *

Around the House: a light switch with a neon light for easy finding in the dark . . . a prefabricated fireplace . . . sterilized packaged foods . . . a sprayless and dripless foam-rubber paint roller . . . strips of mirror to brighten up shelf edges . . . a disappearing clothes dryer that rolls away like a window shade . . . a portable washline with powerful suction cups which adhere to any surface . . . an extendable tablecloth for all size tables—matched panels zip on to each end of the cloth . . . and, finally, a hot-boiled egg opener—one-half of the plastic opener clamps the egg firmly while the top is sheared off by stainless steel cutters. ■



Junior